

Department of Legislative Services
 Maryland General Assembly
 2024 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1318

(Delegate Boyce, *et al.*)

Environment and Transportation

Education, Energy, and the Environment

Wasted Food Reduction and Diversion Fund and Grant Programs - Established

This bill establishes (1) a Wasted Food Reduction and Diversion Grant Program, administered by the Maryland Department of the Environment (MDE) and (2) an On-Farm Organics Diversion and Recycling Grant Program, administered by the Maryland Department of Agriculture (MDA). The bill also establishes a Wasted Food Reduction and Diversion Fund, a new special fund administered by MDE to provide funding for the two new grant programs beginning July 1, 2026, and, for fiscal 2027 only, the existing Grant Program to Reduce and Compost School Waste (which terminates June 30, 2027, pursuant to Chapter 205 of 2022), administered by the Maryland State Department of Education (MSDE).

Fiscal Summary

State Effect: No effect in FY 2025. *Under one set of assumptions*, general fund expenditures increase by \$3.0 million annually beginning in FY 2026 to capitalize the fund; special fund revenues increase correspondingly. Special fund expenditures increase by \$234,400 in FY 2026 for administrative costs; future years reflect ongoing administrative costs as well as grant awards.

(in dollars)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
SF Revenue	\$0	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
GF Expenditure	\$0	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
SF Expenditure	\$0	\$234,400	\$3,070,400	\$2,978,500	\$3,011,000
Net Effect	\$0	(\$234,400)	(\$3,070,400)	(\$2,978,500)	(\$3,011,000)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Local grant revenues and expenditures may increase beginning in FY 2027.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary:

Wasted Food Reduction and Diversion Fund

The bill establishes the Wasted Food Reduction and Diversion Fund, a special fund administered by MDE. The stated purpose of the fund is to fund eligible projects under the On-Farm Organics Diversion and Recycling Grant Program within MDA and the Wasted Food Reduction and Diversion Grant Program within MDE. The fund consists of (1) money appropriated in the State budget to the fund; (2) interest earnings; and (3) any other money from any other source accepted for the benefit of the fund.

Each fiscal year, not more than 25% of the fund may be used for administrative expenses by MDA or MDE. After administrative expenses are accounted for, the Comptroller must transfer the remaining money from the fund as follows:

- on July 1, 2026 – 48% to the Wasted Food Reduction and Diversion Grant Program within MDE; 48% to the On-Farm Organics Diversion and Recycling Grant Program within MDA; and 4% to the Grant Program to Reduce and Compost School Waste; and
- beginning on July 1, 2027, (and each July 1 thereafter) – 50% to the Wasted Food Reduction and Diversion Grant Program within MDE and 50% to the On-Farm Organics Diversion and Recycling Grant Program within MDA.

Money expended from the Wasted Food Reduction and Diversion Fund for those programs is supplemental to and is not intended to take the place of funding that otherwise would be appropriated for the programs.

On-Farm Organics Diversion and Recycling Grant Program

The bill establishes the On-Farm Organics Diversion and Recycling Grant Program within MDA. The stated purpose of the program is to award grants annually for developing and implementing on-farm organics recycling and compost use, wasted food prevention, and food rescue. MDA must administer the grant program in consultation with MDE.

Eligible grant recipients are as follows: (1) a farmer or an urban farmer; (2) a soil conservation district; (3) an institution of higher education; (4) a nonprofit organization; (5) a business in the State that is in good standing with the State Department of Assessments and Taxation (SDAT); and (5) a consortium of any of those entities. An eligible person that receives a grant under this program may not receive a grant under the Wasted Food Reduction and Diversion Grant Program in the same calendar year.

A project is eligible for a grant under the program if the project develops, maintains, or expands infrastructure, collection programs, education, or technical assistance in the State that (1) reduces the amount of wasted food generated; (2) rescues edible food for purposes of redistribution; (3) recovers wasted food as animal feed, as specified; (4) composts or recycles source-separated food residuals, including at-home, community, and on-farm composting; (5) transitions from single-use food serviceware to durable and reusable food serviceware; (6) provides labor and wages in support of wasted food prevention, food rescue, and on-farm organics recycling and compost use; (7) provides best management practice training in relevant fields by a reputable training program; (8) studies the impacts of compost application on on-farm nutrient and water quality management; or (9) assists in the payment of applicable permit application costs.

In awarding grants under the program, MDA, in consultation with MDE, must prioritize projects that meet specified criteria.

Wasted Food Reduction and Diversion Grant Program

The bill establishes, as of July 1, 2026, the Wasted Food Reduction and Diversion Grant Program within MDE. The stated purpose of the program is to award grants annually for infrastructure, programs, and education that reduce, rescue, and divert wasted food in the State. MDE must administer the grant program in consultation with MDA.

Eligible grant recipients are as follows: (1) a local education agency; (2) an institution of higher education; (3) a nonprofit organization; (4) a farmer or an urban farmer; (5) a business in the State that is in good standing with SDAT; and (6) a consortium of any one of those entities. An eligible person that receives a grant under this program may not receive a grant under the On-Farm Organics Diversion and Recycling Grant Program in the same calendar year.

A project is eligible for a grant under the program if the project develops, maintains, or expands infrastructure, collection programs, education, or technical assistance in the State that (1) reduces the amount of wasted food generated; (2) rescues edible food for purposes of redistribution; (3) recovers wasted food as animal feed, as specified; (4) composts or recycles food residuals, including at-home, community, and on-farm composting; or (5) transitions from single-use food serviceware to durable and reusable food serviceware.

In awarding grants under the program, MDE must, in consultation with MDA, prioritize projects that meet specified criteria.

MDE, in consultation with MDA, must adopt regulations to implement the grant program. The regulations must include a simple common application procedure and a process to

facilitate the participation of eligible entities that have limited resources or language barriers.

Reporting Requirements Related to the New Grant Programs

By December 31, 2026, and by each December 1 thereafter, MDA and MDE must report to the General Assembly on their respective grant programs, as specified.

Current Law:

Solid Waste Infrastructure and Recycling in the State, Generally

The solid waste infrastructure in Maryland consists of both permitted and nonpermitted facilities, and solid waste is managed through a combination of recycling, composting, landfilling, energy recovery, and exporting for disposal or recycling. There are several examples of regional waste management partnerships in the State.

Maryland's recycling policy is guided by the Maryland Recycling Act, which sets mandatory recycling rates for State government and local jurisdictions, as well as a voluntary statewide waste diversion goal of 60% and a voluntary statewide recycling goal of 55% by 2020. Each county (including Baltimore City), must recycle at least 20% or 35% of the county's solid waste stream, depending on the county's population. Each county (including Baltimore City) must also prepare a recycling plan that addresses how the jurisdiction will achieve its mandatory recycling rate. The plan must be submitted to MDE's Office of Recycling for approval when the jurisdiction submits its water and sewerage plan at least every 10 years. At least every 2 years, each county must also submit a progress report to MDE, which must include any revision of or amendment to the county plan that has been adopted.

The Office of Recycling

MDE's Office of Recycling submits annual reports, in coordination with the Maryland Environmental Service, to the Governor and the General Assembly on specified information related to recycling in Maryland. Beginning in 2009, MDE has combined the *Maryland Waste Diversion Activities Report* and the *Solid Waste Managed in Maryland Report* into one report, the *Maryland Solid Waste Management and Diversion Report*.

Chapter 465 of 2023 requires the office to hire an independent consultant to conduct a statewide recycling needs assessment and report the results of the assessment to the Governor and the General Assembly by July 30, 2024.

Composting in Maryland

Chapter 686 of 2013 required MDE to adopt regulations governing the permitting and operation of composting facilities. MDE promulgated the required regulations in 2014 by establishing Chapter 11 under the Code of Maryland Regulations (COMAR) 26.04, which specifies requirements related to the construction and operation of composting facilities in the State. Pursuant to Chapters 520 and 521 of 2023, MDE must exempt specified operators of on-farm composting facilities from permitting requirements under COMAR 26.04.11.06. By December 1, 2028, MDE is required to submit a report to the General Assembly that analyzes the impact of on-farm composting facilities in Maryland and provides specified information.

Grant Program to Reduce and Compost School Waste

Chapter 205 established the Grant Program to Reduce and Compost School Waste within MSDE. The stated purpose of the program, which is administered by MSDE, is to award grants to county boards and public schools to develop and implement programs for reducing food waste and to establish composting of pre- and post-consumer waste.

The Maryland Association for Environmental and Outdoor Education is responsible for reviewing grant applications and selecting recipients to be awarded grants by MSDE. Specified requirements apply for a project to be eligible for grants. MSDE must prioritize grant awards to (1) programs that will be led by students; (2) schools with high numbers of students who receive free and reduced-price meals; (3) programs that will contract with a small- and minority- or veteran-owned business; and (4) programs that will contract with businesses that pay employees a living wage, as defined.

Grant recipients must report to MSDE on program outcomes, and MSDE must annually report to the General Assembly on the program. MSDE must coordinate with MDE to identify and apply for federal funding that may be used to support the program. Pursuant to Chapter 205, the program terminates at the end of fiscal 2027.

Food Waste Diversion

Chapters 439 and 440 of 2021 require certain generators of large quantities of food residuals to separate the food residuals from other solid waste and ensure that the food residuals are diverted from final disposal in a refuse disposal system. The implementation timeline for this requirement is staggered, based on weekly tonnages of food residuals, beginning January 1, 2023. MDE promulgated implementing regulations in 2022 by establishing Chapter 13 under COMAR 26.04, which specifies requirements related to the diversion of food residuals from final disposal in a refuse disposal system.

State Fiscal Effect:

Assumptions Regarding the Timing of Funding

Even though the bill takes effect October 1, 2024, this estimate assumes that the new special fund is first capitalized, and administrative costs are first incurred, in fiscal 2026, as discussed below. Therefore, there is no fiscal effect in fiscal 2025.

The estimate assumes that the fund is first capitalized in fiscal 2026 and that grants are awarded relatively quickly after funding is transferred to the three grant programs at the start of fiscal 2027 (July 1, 2026), for the following reasons: (1) the fund is established when the bill takes effect (October 1, 2024), well in advance of the first transfer of funding from the fund to the grant programs on July 1, 2026; (2) the bill requires the Comptroller to transfer the remaining money from the fund, after administrative expenses, to the three grant programs on July 1, 2026, suggesting that capitalization occurs and administrative expenses are incurred (potentially for early acceptance and evaluation of grant applications based on available funding) in fiscal 2026; and (3) under the Wasted Food Reduction and Diversion Grant Program and the On-Farm Organics Diversion and Recycling Grant Program, MDE and MDA, respectively, are required to report by December 31, 2026, (six months after grant funding is first transferred from the fund to the programs) on the number and types of grants awarded and their impact, suggesting that grants are awarded relatively soon after grant funding is transferred to the programs on July 1, 2026.

Capitalization of the Wasted Food Reduction and Diversion Fund

Because the bill does not establish a dedicated funding source for the fund, it is assumed that general funds are needed to capitalize the fund. Accordingly, general fund expenditures increase by an estimated \$3.0 million annually beginning in fiscal 2026 to capitalize the fund. This estimate is based, in part, on information provided by MDE and MDA regarding the minimum funding levels necessary to establish viable grant programs for the two grant programs established by the bill.

Special fund revenues to the Wasted Food Reduction and Diversion Fund increase correspondingly each year (beginning in fiscal 2026) as the fund receives the capitalization funding.

Special Fund Expenditures – Administrative Costs and Grants

Special fund expenditures from the Wasted Food Reduction and Diversion Fund increase by \$234,418 in fiscal 2026, by approximately \$3.1 million in fiscal 2027, and by similar amounts in future years. This estimate reflects costs for:

- MDE to hire one natural resources planner to develop and implement the Wasted Food Reduction and Diversion Grant Program, starting January 1, 2026, in time to set up the program and conduct outreach before it officially begins and receives funding July 1, 2026, and to conduct oversight of projects implemented under the program;
- MDA to hire one administrator and one administrative aide to develop and implement the On-Farm Organics Diversion and Recycling Grant Program, starting January 1, 2026, in time to set up the program and conduct outreach before it receives funding July 1, 2026; and
- annual grant awards for MDE and MDA (beginning in fiscal 2027) and for MSDE (in fiscal 2027 only).

This estimate assumes that MSDE can administer the additional fiscal 2027 funding for the existing Grant Program to Reduce and Compost School Waste with existing resources.

The estimate also assumes that the \$3.0 million received by the special fund each fiscal year is used to pay for administrative expenses incurred in the *same* fiscal year, and the remaining amount is distributed to the grant programs according to the percentages specified in the bill in the *following* fiscal year.

	<u>FY 2026</u>	<u>FY 2027</u>
Positions (New)	3.0	-
Salaries and Fringe Benefits	\$113,442	\$235,696
Operating Expenses	<u>120,975</u>	<u>69,155</u>
Total SF Admin. Expenditures	\$234,417	\$304,851
MDE Grant Funding (48%)		\$1,327,479
MDA Grant Funding (48%)		1,327,479
MSDE Grant Funding (4%)		<u>110,623</u>
Total SF Admin./Grant Expenditures	\$243,417	\$3,070,432

Future year special fund expenditures reflect full salaries with annual increases and employee turnover, annual increases in ongoing operating expenses, and ongoing grant funding distributed to the Wasted Food Reduction and Diversion Grant Program within MDE (50%) and the On-Farm Organics Diversion and Recycling Grant Program within MDA (50%).

State Agencies as Eligible Grant Recipients

To the extent that a State agency or an institution of higher education receives grant funding from one of the new grant programs established under the bill, grant revenues and expenditures for any such entity increase correspondingly beginning in fiscal 2027.

Local Fiscal Effect: To the extent that local governments, local education agencies, schools, soil conservation districts, or other local entities receive grant funding from one of the grant programs established and/or funded under the bill, local grant revenues and expenditures increase correspondingly beginning in fiscal 2027.

Small Business Effect: Grant revenues and expenditures for small businesses that are eligible for and receive grants under the bill increase beginning in fiscal 2027. For example, farmers benefit from additional funding to support the adoption of on-farm composting and the sale of composted material. Small businesses that provide the type of services, supplies, or functions that are eligible for grant funding under the bill may see an increase in the demand for their services.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Maryland Environmental Service; Prince George's County; Maryland Association of Counties; Northeast Maryland Waste Disposal Authority; Maryland Municipal League; Comptroller's Office; Maryland State Department of Education; Baltimore City Community College; University System of Maryland; Morgan State University; St. Mary's College of Maryland; Maryland Department of Agriculture; Maryland Department of the Environment; Baltimore City Public Schools; Montgomery County Public Schools; Department of Legislative Services

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